

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 PA-01 JUSE-00 MMO-01
/107 W

-----040939 241713Z /43

R 241537Z APR 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2307
TREASURY DEPT WASHDC
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMCONSUL MILAN
AMCONSUL NAPLES
AMEMBASSY PARIS
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO

LIMITED OFFICIAL USE SECTION 1 OF 2 ROME 7533

PASS FRB; BRUSSELS FOR USEEC; PARIS FOR USOECD

E. O. 11652: N/A
TAGS: EFIN, IT
SUBJ: FINANCIAL MARKET DEVELOPMENTS (78-4)

REF: ROME 6182

1. THE ITALIAN BALANCE OF PAYMENTS WAS IN OVERALL SURPLUS
BY \$170 MILLION IN MARCH. THIS WAS THE TENTH CONTINUOUS
MONTH (SINCE JUNE 1977) THAT THE BALANCE OF PAYMENTS HAS
BEEN IN OVERALL SURPLUS. (IN THE FIRST QUARTER OF 1978,
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THE OVERALL SURPLUS AMOUNTED TO \$782 MILLION.) THE MAIN
FEATURE IN ITALY'S INTERNATIONAL MONETARY TRANSACTIONS IN
MARCH WAS THE REPAYMENT BY THE BANK OF ITALY OF \$1,273
MILLION OF ITS MEDIUM-TERM LIABILITIES TO OFFICIAL LENDERS:
\$371 MILLION ON 1974 IMF STAND-BY, \$52 MILLION
ON THE OIL FACILITY BORROWING, \$500 MILLION TO THE
BUNDESBANK, AND \$350 MILLION TO THE EC. WITH THE

FINAL PAYMENT ON THE 1974 STANDBY, ITALY'S POSITION IN THE IMF SHOWS A POSITIVE BALANCE FOR THE FIRST TIME SINCE JULY 1974. ITS CURRENT FUND POSITION IS ABOUT 160 MILLION SDRS (\$198 MILLION). ITALY INTENDS TO PAY BY MAY 1 THE RECENT IMF QUOTA INCREASE APPROVED ON APRIL 1, WHICH WOULD BRING ITALY'S FUND POSITION TO ABOUT 220 MILLION SDRS. OTHER FEATURES OF ITALIAN MONETARY MOVEMENTS IN MARCH WERE A DRAWDOWN OF FOREIGN EXCHANGE RESERVES OF \$871 MILLION TO \$6.7 BILLION AND AN INCREASE BY \$204 MILLION IN THE NET FOREIGN DEBTOR POSITION OF THE COMMERCIAL BANKS. THEIR NET DEBTOR POSITION HAD DIMINISHED SUBSTANTIALLY IN JANUARY AND AGAIN SLIGHTLY IN FEBRUARY.

2. UNDERLYING THESE DEVELOPMENTS IN THE FIRST QUARTER 1978 ARE THE CONTINUED LOW RATE OF IMPORTS. IT SEEMS THAT EXPORTS, HOWEVER, MAY HAVE ALSO TAPERED OFF IN JANUARY AND FEBRUARY, AFTER A SUBSTANTIAL SURGE IN DECEMBER 1977. DEVELOPMENTS IN THE CAPITAL ACCOUNT MAY HAVE ALSO CONTRIBUTED TO THE SURPLUS. ITALY RECEIVED AT LEAST \$200 MILLION IN LONGER-TERM PRIVATE CAPITAL IN THE FIRST QUARTER, ACCORDING TO PUBLICIZED EUROCREDITS TO ITALIAN BORROWERS.

3. THE CEILINGS ON BANKS' LOANS IN LIRA WERE EXTENDED FROM APRIL 1 TO JULY 31, 1978 (REFTEL). LIMITED OFFICIAL USE

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THE PRINCIPAL EFFECT OF THE CEILINGS WILL CONTINUE TO BE THE REDISTRIBUTION OF AVAILABLE CREDIT IN FAVOR OF THE PUBLIC SECTOR. THE CEILINGS ALSO KEEP INTEREST RATES ON BANKS' LOANS SOMEWHAT HIGHER THAN THEY MIGHT BE OTHERWISE.

TABLE 1 - MONTARY MOVEMENTS (1) (MILLIONS OF DOLLARS)

	FEB. 1-28	MAR. 1-31	JAN. 1-MAR. 31
1. BOI/UIC	-	1,607.9	1,607.9
GOLD			
CONV. FOR. EX.	-22.7	-871.0	-1,219.5
OTHER	29.8	-362.5	-107.6
TOTAL BOI/UIC	7.1	374.4	280.8
3. SURPLUS/DEFICIT	48.2	170.4	782.3

(1) INCLUDES GOLD STOCK REVALUATION OF \$1,607.9 MILLION IN THE PERIOD JANUARY-MARCH AND OF \$1,607.9 MILLION IN MARCH. EQUAL CONTINGENT LIABILITY INCLUDED IN "OTHER."

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LAB-04 SIL-01 L-03 H-01 PA-01 JUSE-00 MMO-01
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PASS FRB; BRUSSELS FOR USEEC; PRIS FOR USOECD

TABLE 2 - FOREIGN RESERVE POSITION (MILLIONS OF DOLLARS)

	1977	1978	1978
1. BOI/UIC	DEC. 31	FEB. 28	MAR. 31
GOLD	11,260.9	11,260.0	12,867.9
CONV. FOR. EX.	7,960.0	7,611.5	6,740.5
OTHER (1)	-5,585.6	-5,330.7	-4,085.5
TOTAL BOI/UIC	13,634.4	13,540.8	15,523.1

2. COMMERCIAL BANKS

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NET FOREIGN

POSITION	-7,573.3	-5,867.8	-7,071.8
TOTAL	7,061.1	7,673.0	9,451.3

(1) INCLUDES LIABILITIES TO EC, BUNDESBANK AND IMF.

TABLE 3 - EXTRAORDINARY TRANSACTIONS (MILLIONS OF DOLLARS)

	FEB. 1-28	MAR. 1-31	JAN. 2-MAR 31
IMF POSITION	-	197.9	197.9
IMF (1974 STANDBY	-	-371.0	-371.0
IMF (1977) STANDBY	-	-	-
IMF OIL FACILITY	-	-52.2	-52.2
BUNDESBANK GOLD			
LOAN	-	-500.0	-500.0
EC LOAN	-	-349.6	-349.6
GOLD REVALUATIONS	-	1,607.0	1,607.0
EUROMARKET LOANS	-3.7	-	-3.7

TABLE 4 - FOREIGN EXCHANGE AND MONEY MARKET RATES

	FEB. 15	MAR. 21	APRIL 19
LIRA/\$ SPOT	858	856.20	859.95
LIRA/\$ 6 MO.	883	878.70	884.45
LIRA/\$ BLACK MKT	893	870	866
BOI FX INDEX (1)			

ALL CURRENCIES	-38.98	-39.38	-39.63
DOLLAR	-32.30	-32.14	-32.44

INTEREST RATES

INTERBANK 3 MO.	11.313 (2)	N.A.	11.875
PRIME RATE	16.00	16.00	16.00
AVERAGE BOND	14.109	14.052	13.953
LIRA/\$ 3 MO.			

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DISCOUNT	5.8	6.0	6.0
EURODOLLAR 3 MO.	7.25	7.375	7.375

(1) WEIGHTED AVERAGE PERCENT DEPRECIATION SINCE 2/9/73

(SECOND DOLLAR DEVALUATION)

(2) AS LIST QUOTED FEBRUARY 2, 1978

N.A. EQUALS NOT APPLICABLE.

TABLE 5 - MONETARY AND CREDIT AGGREGATES (RATES OF CHANGE IN PERCENT)

	1977					
MONETARY BASE (1)	1Q	2Q	3Q	4Q	12 MOS.	ENDING
RAW	3.0	2.3	4.4	8.0	19.6	(FEB. 78)
SEAS. ADJ.	5.3	1.9	5.1	5.7		

M1, SEAS. ADJ. (2) 6.2 3.4 5.0 5.6 20.0 (JAN 78)

M3, SEAS. ADJ. (3) 6.0 4.0 4.2 5.9 23.7 (DEC. 77)

TOTAL DOMESTIC

CREDIT 4.6 4.5 3.2 4.7 17.7 (DEC 77)

(1) EXCLUDING POSTAL DEPOSITS

(2) CURRENCY IN CIRCULATION PLUS DEMAND DEPOSITS

(3) M1 PLUS SAVINGS DEPOSITS AND TREASURY BILLS IN HANDS
OF NON-BANK PUBLIC.GARDNER

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Message Attributes

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Disposition Case Number: n/a
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Disposition Date: 20 Mar 2014
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Disposition History: n/a
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Disposition Remarks:
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Litigation History:
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TAGS: EFIN, IT
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